

C O N F I D E N T I A L10th May, 1960.COCOM Document No. 3987COORDINATING COMMITTEERECORD OF DISCUSSIONONTHE BUDGET AND FINANCES OF THE COORDINATING COMMITTEE2nd May 1960

Present: Belgium(Luxembourg), Denmark, France, Germany, Italy, Japan, Turkey, United Kingdom, United States.

References: COCOM Docs. Nos. 1737, 3919, 3936, 3938, 3982 and Sub-C(60)1.

1. The CHAIRMAN reminded the Committee of their previous discussion recorded in COCOM Doc. 3938. He noted that, thanks to the offer made by the French Delegation in paragraph 12 of that document, no urgent decision was required as to possible changes in the budgetary system. The Chairman, for his part, wished to make certain comments in connexion with the staff matters raised by the French Delegate in paragraph 7(b) of COCOM Doc. 3938.

2. He referred in particular to the status of those members of the Secretariat staff who were not employed by the United States Department of State. These persons, five in number, had none of the usual guarantees. They had no working contract and therefore no rights and no obligations, and they belonged to no social security or pension scheme. Moreover, in the case of foreign staff, it was impossible to obtain the usual identity papers required by foreigners residing in France. As to the personnel in the employ of the United States Department of State, seven in number, the Chairman explained that the situation was somewhat different. These persons were obliged to contribute to a private health insurance scheme under the United States Embassy's sponsorship, and some of the more senior staff were also allowed to contribute to a pension scheme. Foreigners were provided with identity papers and all benefited from minor privileges such as O.E.E.C. and canteen cards, etc.

3. The FRENCH Delegate undertook to transmit these details to his authorities. He felt, however, that he had already dealt with the problems to which the Chairman had just referred and that they would not constitute any major obstacle to a change in the budgetary system, such as that his Delegation had suggested. In France it was very easy for persons who did not belong to a state insurance scheme to insure themselves privately at a very moderate cost. As to the status of foreign personnel, he was sure that, if a more logical budgetary system were adopted putting this problem on a more general plane, the French authorities would take more active steps to solve it.

4. The UNITED STATES Delegate, turning to the more general budgetary question, explained that considerable thought had been given to this matter since the previous discussion, both by administrative experts and policy level officials in his own Government. Generally speaking, the French proposal was found to be a very sound one as far as theory, logic and principle were concerned. It was felt, however, that the benefit that might theoretically be gained in renovating the administrative system was likely to be outweighed by the practical problems that would arise in its institution and implementation. The French proposal required the substitution of a cash budget from which all expenditures would be met as in a "normal" international organisation. A glance at the contributions at present made in kind would give some idea of the problems and consequences of such a change. The French Government had supplied space, utility and security services and, with the United States Delegation, furniture and office equipment. His own Delegation had also supplied seven

C O N F I D E N T I A L

CONFIDENTIAL

- 3 -

COCOM Document No. 3987

Secretariat members and certain office supplies such as paper. The German, Italian and United Kingdom Delegations had each supplied one member of their diplomatic services. All the persons and services thus provided were contributed according to the rules and regulations of the country concerned whereas, with an all cash budget, the Committee would have to set up its own procedures and apparatus to take care of housing, security and administrative problems. They would have to establish the terms of employment of the Chairman, his officers and the members of the Secretariat staff. They would have to set up their own accounting, auditing, purchasing and banking system. While the United States Delegation did not believe that the problems involved in transforming the Coordinating Committee into a "normal" and "formal" organisation would be insuperable, and while it was true that the housing of the Committee on premises not owned by the French Government would in any event create new problems, they felt that the simplest and best solution was to be sought along the same informal lines as hitherto. For their part, they would be willing to study any proposal put forward; any organisation of course was well advised to take stock of its administrative system after a certain period of time. Improvements were always possible and the Committee might in the future devote more attention to administrative matters. This did not necessarily imply, however, that the whole administrative system must be changed fundamentally.

5. The UNITED KINGDOM Delegate stated that he had no definite instructions on the general financial question. In theory the French proposal, calling as it did for an agreed scale of cash contributions, was reasonable. Two large international organisations worked on such a system, but the Committee could not base their own scale on those established by N.A.T.O. or the O.E.E.C. since the membership was different in both cases. Moreover, as the French Delegate had acknowledged, some countries found it more convenient to provide diplomatic personnel - a practice not followed by other organisations, and which would have to be treated on its own merits. In conclusion, the Delegate felt that it might be difficult to set up a percentage scale as advocated in the French proposal.

6. The FRENCH Delegate thanked the United Kingdom and United States Delegates for the tribute they had paid to the logical merits of his Delegation's proposal. As to the practical difficulties evoked, he had already replied thereto in paragraph 7 of COCOM Doc. 3938. The most serious problem was that of diplomatic officers serving on the Secretariat, and the Delegate had already suggested in part (d) of the abovementioned paragraph that some system might be evolved in order to refund countries providing such officials and paying more than their fair percentage. He noted that his United States colleague also recognised the need to review the administrative system and was ready to examine the question at any time. Turning to the particular issues raised by the Chairman, he felt that steps must be taken to provide all members of the Secretariat staff with adequate guarantees. In conclusion, the Delegate noted that, out of the fifteen countries belonging to the Committee, only two made no cash contribution whatsoever. In the case of the other thirteen therefore, the introduction of a system of purely cash contributions would present no difficulty.

7. The ITALIAN Delegate referred to his statement in paragraphs 10 and 11 of COCOM Doc. 3938, where he had stressed the consequences of any change in the present budgetary system. While his Delegation were ready to study any detailed plan the French Delegation might wish to submit, he believed, for the reasons he had already given, that his own authorities would have difficulty in changing their contribution, and felt that the present system had worked smoothly and efficiently. The Delegate, referring to the Chairman's comments on the status of the Secretariat staff, believed that this matter should be given immediate study, in order to provide employees with all the guarantees laid down by French law.

8. The UNITED KINGDOM Delegate agreed with his Italian colleague that it would be useful to have a more concrete proposal from the French Delegation as to the percentages involved in their proposal. The FRENCH Delegate pointed out, however, that in view of the lack of enthusiasm shown by delegations,

CONFIDENTIAL

- 3 -

COCOM Document No. 3987

despite their recognition of its merits from the logical point of view, the French authorities could hardly be expected to provide a more detailed proposal. If some support for a cash budgetary system became apparent, his Delegation would naturally be glad to supply concrete suggestions.

9. The UNITED STATES Delegate believed that, particularly in view of the new issues raised, the whole question should be given more intensive study. It was obvious that the Committee would have to establish a new budget to provide for expenditures involved by the change of premises and take account of changes in the Secretariat staff. The Delegate therefore suggested that a small working group be appointed to study the immediate financial problem, and the more general budgetary problem. It should also look into various administrative problems, and in particular study the terms of employment of the Secretariat members who were not paid by the United States Government, with a view to their earliest possible improvement. The Delegate believed that the group might of course examine proposals such as the French one and submit its findings to the Committee, but that it should endeavour to propose solutions within the framework of the present system.

10. The GERMAN Delegate stated that his authorities had given careful study to the French proposal. While they agreed with the French Delegation that in the case of a larger organisation with a more formal status a change in the financial and budgetary arrangements would be appropriate, the German authorities were fully satisfied with the flexible way in which the Committee had until now handled its budgetary problems. They would therefore support any idea to keep the present system. For their part, they were prepared, as in the past, to provide diplomatic staff to serve on the Secretariat. They would, however, be willing to study any detailed proposals for changes, but would hope that such changes would lead to no revision of the general scheme.

11. After an exchange of views, it appeared that the Committee were unanimously in favour of the suggestion made by the United States Delegation in paragraph 9 above. It was agreed that a small group composed of the French, German, United Kingdom and United States Delegates and the Chairman, together with any other delegate wishing to participate, should meet once the Chairman of the Budget Sub-Committee had been able to provide it with a budget estimate for the coming months. The terms of reference of this group would be as follows:

- 1) To establish a new budget in view of the change of premises, taking into account the cash contribution now paid by the French Delegation and the economies made by the reduction of the Secretariat staff.
- 2) To consider any proposal, whether based on the present system or a new one, including any legal questions which might be involved by a change of system.
- 3) To seek a practical solution for the problems arising from the special status of certain members of staff.

C O N F I D E N T I A L